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U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
OFFICE OF AVIATION AND INTERNATIONAL ECONOMICS
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FINAL REGULATORY EVALUATION

FINAL RULE ON DISCLOSURE OF CODE-SHARING ARRANGEMENTS AND LONG-TERM WET LEASES

(14 CFR PARTS 25'7 AND 399)
DOCKET OST-95-179 AND OST-95-623
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OFFICE OF AVIATION AND INTERNATIONAL ECONOMICS
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Executive Summary

This regulatory evaluation accompanies the Department's final rule on Disclosure of Code-sharing Arrangements and Long-term Wet Leases. This regulation strengthens the Department's current consumer notification rules to ensure that consumers have pertinent information about airline code-sharing arrangements and long-term wet leases on domestic and international flights. In summary, code-sharing arrangements and long-term wet leases can offer significant economic benefits. However, these arrangements can confuse and mislead consumers. Therefore, consumers will benefit from this regulation because, during the process of selecting, purchasing and completing their trips, they will be better informed of the fact that the airline operating the aircraft will be different from the airline holding out the transportation. They will also be informed of the identity of the airline operating the aircraft including the corporate name. The requirements of the regulation apply to travel agents doing business in the United States, U.S. air carriers and foreign air carriers, and their implementation will result in increased costs on these groups. The Department has considered other alternatives but has found that this final rule as issued provides the best public benefit. In this regulatory analysis, the Department has evaluated the benefits and costs and has decided that the benefits **justify** the increased costs.

Introduction

Code-sharing is the name given to a common airline industry marketing practice where, by mutual agreement between cooperating carriers, at least one of the airline designator codes used on a flight is different from that of the airline operating the aircraft. In one version, two or more airlines each use their own designator codes on the same aircraft operation. Although only one airline operates the flight, each airline in a code-sharing arrangement may hold out, market and sell the flight as its own in published schedules. Code-sharing also refers to other arrangements where a code on a passenger's ticket is not that of the operator of the flight, but where the operator does not also hold out the service in its own name. Such code-sharing arrangements are common between commuter air carriers and their larger affiliates and the number of arrangements between U.S. air carriers and foreign air carriers have been increasing. Arrangements falling into this category are similar to leases of aircraft and crew (wet leases).

The Department recognizes the strong preference of air travelers for on-line service (service by a single carrier) on connecting flights over interline service (service by multiple carriers). Code-sharing arrangements are, in part, a marketing response to this demand for on-line service since these arrangements enable airlines to hold out multi-carrier service as on-line service. Often, code-sharing partners offer services similar to those available for on-line connections with the goal of offering "seamless" service (*i.e.*, service where the transfers from flight to flight or airline to airline are facilitated). For example, they may locate gates near each other to make connections more convenient or coordinate baggage handing to give greater assurance that baggage will be properly handled.

Airlines also claim that code-sharing can help them operate more efficiently because they can reduce costs by providing a joint service with one aircraft rather than operating separate services with two aircraft. Particularly in thin markets, this efficiency can lead to increased price and service options for consumers or enable the use of equipment sized appropriately for the market. Therefore, the Department recognizes that code-sharing, as well as long-term wet leases, can offer significant economic benefits.

However, although code-sharing and wet-lease arrangements can offer significant consumer benefits, they can also be confusing and misleading unless consumers know that the transportation they are considering for purchase will not be provided by the airline whose designator code is shown on the ticket and unless they know the identity of the airline on which they will be flying. The recent growth in the use of code-sharing, wet-leasing and similar marketing tools, particularly in international air transportation, has given the Department concern about whether the current disclosure rules (14 CFR 399.88) protect the public interest adequately.

Current Regulations (14 CFR 399.88)

In order to understand the new regulations, we will briefly review the current rules. Section 4 17 12 of Title 49 of the U.S. Code authorizes the Department to decide if a U.S. air carrier or foreign air carrier or ticket agent (including travel agents) has engaged in unfair or deceptive practices and to ban such practices. Current DOT policy (14 CFR 399.88), established in September 1985, has dealt only with code-sharing (and not wet leases) and considers the practice to be unfair and deceptive and in violation of 49 U.S.C. §41712 unless consumers are given reasonable and timely notice of the existence of the code-sharing arrangement. The policy states that the obligation to give reasonable notice requires air carriers, at a minimum to:

1) Identify, with an asterisk or other means, each flight in which the airline code is different from the code of the airline actually providing the service, in written or electronic schedule information;
2) Provide information in any direct oral communication with a consumer concerning a code-sharing flight sufficient to alert the consumer that the flight will occur on an airline different from the airline whose code is shown on the ticket and identify the airline(s) actually providing the service; and
3) Provide frequent, periodic notice in advertising media of the existence of a code-sharing relationship and the identities of the airline(s) actually providing the service.

The policy statement, however, expressly applies only to U.S. air carriers. It does not apply directly to ticket agents (including travel agents) since, at the time the policy was adopted, it was believed that ticket agents would communicate important information to travelers to retain them as clients. Furthermore, 49 U.S.C. $417 12 prohibits unfair and deceptive practices by ticket agents, and Department rules also prohibit ticket agents from misrepresenting the kind or quality of service being sold. In reference to wet leases, the disclosure rules in 14 CFR 399.88 do not cover wet leases other than code-sharing arrangements as defined at that time.

Since there were few code-sharing arrangements between U.S. and foreign air carriers at the time of its adoption, the policy did not explicitly cover foreign air carriers. However, when the Department approves a code-sharing arrangement involving a foreign air carrier, it now explicitly requires the foreign air carrier to adhere to the requirements of 14 CFR 399.88 as a condition of its approval.

New Regulations

The Department issued a Notice of Proposed Rulemaking (NPRM) on August 10, 1994 to obtain comments and reply comments on the proposed disclosure rules as well as a Supplementary Notice of Proposed Rulemaking (SNPRM) on January 17, 1995 to obtain additional specific comments on the issue of carrier identity by corporate name. We received comments and/or reply comments to the NPRM from 41 parties' and comments from 14 parties in response to the SNPRM. These comments were considered in developing this regulatory evaluation.

By this new regulation, the Department strengthens its current rules requiring airlines to notify passengers of the existence of a code-sharing arrangement by explicitly extending the regulations to cover foreign air carriers and travel agents doing business in the United States. At the same time, it extends these requirements to long-term wet leases as well. It also requires U.S. carriers, foreign carriers and travel agents to tell prospective consumers, in all oral communications before booking transportation, that the transporting carrier is not the carrier whose designator code will appear on the ticket and to identify the transporting carrier by its corporate name and any other name under which that service is held out to the public.

The new rules also require that selling carriers or travel agents provide consumers with a separate written notice, at the time of purchase, that clearly identifies the segment(s) and the transporting carrier by its corporate name or any other name by which that service is held out to the public. If transportation is purchased far enough in advance of travel to allow for advance delivery of the ticket by mail or otherwise, the regulations mandate that written notice be delivered in advance along with the ticket. If time does not allow for advance delivery of the ticket, or in the case of ticketless travel, the rules require that the written notice be provided to consumers no later than the time at which they check in at the airport for the first flight in the itinerary. At the purchaser's request, the written notice may also be delivered in person or by telecopier, electronic mail, or any other reliable method of transmitting written material.

The new regulations also state that, in any printed advertisement published in or mailed to or from the United States for service in a market that is provided under a code-sharing arrangement or a long-term wet lease, the advertisement must clearly indicate the nature of the service in reasonably sized type and must identify the transporting carrier by corporate name or any other name under which that service is held out to the public. In any radio or television advertisement broadcast in the United States for such service, the advertisement must include at least a generic statement that indicates that some of the services are provided by other airlines.

Executive Order 12866, Regulatory Planning and Review

Executive Order 12866, Regulatory Planning and Review, generally defines an economically significant regulatory action as one that is likely to have an annual effect on the economy of $100 million or more or would adversely affect the economy in a material way, particular sectors of

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[1] Two parties filed comments before publication of the NPRM.

the economy, or state or local governments. Regulatory actions are also considered economically significant if they are likely to create a serious inconsistency or interfere with the actions of another agency or if they materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of the recipients of such programs. Based on this standard, the Department has determined that this regulation is not an economically significant regulatory action and does not require the type of complete and detailed assessment, including underlying analyses, of the costs and benefits of the proposed regulation that are required for economically significant regulatory actions.

For regulatory actions that are not considered economically significant, Executive Order 12866 requires that agencies consider both the costs and benefits of the intended regulation and propose and adopt such a regulation only after a reasoned determination that the benefits **justify** its costs.

The Department's Regulatory Policies and Procedures

The Department's Regulatory Policies and Procedures (44 FR 11034, February 26, 1979) outline similar definitions and requirements with the goal of simplifying and improving the quality of the Department's regulatory process. Based on these definitions and requirements, we have determined that this rule is a significant regulatory action under the Department's Regulatory Policies and Procedures because of public interest.

Regulatory Evaluation

This regulatory analysis estimates the cost and benefits of this regulation. In the NPRM and in the Draft Regulatory Evaluation that was placed in the docket for review in this proceeding at the time of the NPRM, the Department requested specific technical comments about the feasibility and cost of this regulation that were supported by concrete data and economic analysis. Since the comments to this proceeding provided only limited and thinly supported data, this evaluation will be mostly a discussion of the costs and benefits[2] rather than a detailed estimate of them.

As we have stated above, the current regulations already require U.S. airlines to provide reasonable notice of a code-sharing arrangement in written or electronic schedule information, in direct oral communication with consumers, and in periodic advertising notices. Foreign airlines code-sharing to points in the U.S. have been routinely required to adhere to the same rules as U.S. airlines as a condition of their licenses. Also, ticket agents are required by law to refrain from misrepresenting the service they are selling. Because of these current requirements, the Department believes that the increased costs will result from incremental changes in the new rules and therefore be somewhat minimized.

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[2] In its comments, British Airways claimed that the draft regulatory evaluation was deficient and cited the recommendations of the President's Commission on a Competitive Airline Industry and the Administration's Reinventing Government effort to point out that the burden was on the Department to determine the cost of the proposed rule and to demonstrate that there is a clear and commensurate benefit of the regulation. While we do not dispute the need for accurate cost/benefit analysis, we note that the National Commission to Ensure a Strong Competitive Airline Industry specifically recommended in its report that the Department "seek cost impact data from industry early, and industry should provide requested data so that the agency can make an informed decision on proceeding with the proposal". Change, Challenge and *Competition*, the National Commission to Ensure a Strong Competitive Airline Industry, August 1993, page 11. We asked the parties to give us detailed data, and this analysis is based on the information we were able to obtain.

In the following sections, we first provide an estimate of the number of tickets issued under code-sharing arrangements in order to gauge the impact of the rule. We then present estimates of the cost of the regulation followed by a discussion of the issue of printing the disclosure information on the airline ticket coupon. We then provide a discussion of the regulation's benefits.

Methodology and Estimate of the Number of Tickets Issued Under Code-Sharing Arrangements[3]

Data on the actual number of airline tickets that involve code-sharing or long-term wet-lease arrangements are not readily available. In order to provide an idea of the overall impact of this rule, we developed an estimate of the number of tickets issued under code-sharing arrangements that would have been affected if this rule were in place during 1997. We based our estimate on the number of passenger enplanements for domestic operations and passengers transported for international operations as well as other assumptions outlined in the following methodology. We emphasize that we developed an estimate of the number of tickets involved in code-sharing arrangements rather than the number of passengers because the number of tickets is the most appropriate measure in determining the cost increase associated with this rule. Many tickets are written to cover a round-trip journey that would encompass two enplanements or two transported passengers but only a single ticket. For these passengers, use of the number of enplanements or transported passengers would overstate the number of passengers and the burden of the new regulations by a factor of two because a roundtrip passenger would buy one ticket for the entire journey but would be enplaned once at the point of origin and again at the destination point for the return trip to the origin (a total of two enplanements).

For domestic air transportation, code-sharing arrangements typically involve agreements between a larger major airline and a regional airline. For the year ended December 3 1, 1997, the U.S. regional airline industry reported 66.3 million passenger enplanements of which 95 percent (or 63 .O million enplanements) were transported by code-sharing regional airlines.[4] Recognizing that a portion of these 63.0 million enplanements traveled on a roundtrip basis, we analyzed the Department's Origin-Destination Survey of Airline Passenger Traffic for the year ended December 3 1, 1997, and found that 24 percent of domestic passengers flew on non-round-trip tickets and 76 percent flew on a round-trip basis. By applying these percentages to the 63.0 million enplanements, we estimated that 15.1 million passengers flew on a non-round-trip basis and 47.9 flew on round-trip flights. The 15.1 million non-round-trip passengers equated to 15.1 million tickets. On the other hand, the 47.9 million round-trip passengers equated to 24.0 million tickets (one-half of 47.9 million). In total, if the new rules had been in effect for 1997, approximately 39.1 million domestic tickets would have been subject to the new regulations.

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3 Most of the discussion in this section is based on the limited amount of code-sharing information available to the Department, since even less information is available for tickets issued under long-term wet-lease agreements. For easy reference, Appendix A contains a table that presents all of the estimates and the sources and derivations of the estimates.

4 The 1998 Annual Report of the Regional Airline Association, Regional Airline Association, 1998, page 12.

To estimate the number of tickets for U.S. and foreign airlines on international routes which include some travel to or from a U.S. point or points, we began with the total of 113.0 million passengers for the year ended December 3 1, 1997.[5] In order to estimate the number of passengers and tickets among the 113.0 million that were flying under code-sharing arrangements, we then compared the detailed components of the total of 113.0 million passengers on a city-pair and airline basis with the city-pair and airline information contained in the List of Code-Share Relationships to determine the city-pairs, airlines and related passengers among the overall total that were involved in code-sharing arrangements in effect at the time.[6] Based on this analysis, we determined that 32.0 million passengers were on-board all flights where code-sharing arrangements *were possible.*

However, it is clear that only a portion of these transported passengers are flying on a code-sharing basis. To illustrate, two carriers have an extensive code-sharing arrangement involving numerous gateways and behind markets in the U.S. and beyond markets overseas. Depending upon the carrier operating the flight, the on-board passengers could be flying on a ticket issued by the operating carrier (non-code-sharing), the partner's ticket (code-sharing) or on an interline basis (non-code-sharing). Currently, only a limited amount of data are available that could be used to determine the portion of the 32.0 million passengers that are participating in a code-sharing arrangement. Based on informal analysis of this limited amount of data, we believe that the number of code-sharing passengers on-board any given flight generally will not exceed 50 percent of the total passengers and will usually account for less than that percentage. To gauge the maximum impact, we have therefore estimated that 16.0 million (or 50 percent of the 32.0 million) international passengers in 1997 were involved in a code-sharing arrangement.

In order to estimate the number of international tickets, we further adjusted the 16.0 million passengers for the difference between round-trip and non-round-trip tickets. Based on the Department's Origin-Destination Survey of Airline Passenger Traffic for the year ended December 3 1, 1997, we found that 19 percent of international passengers flew on non-round-trip tickets and 8 1 percent flew a round-trip basis. By applying these percentages to the 16.0 million passengers, we estimated that 3 .0 million passengers flew on a non-round-trip basis and 13 .O flew on round-trip flights. The 3.0 million non-round-trip passengers equated to 3.0 million tickets. On the other hand, the 13.0 million round-trip passengers equated to 6.5 million tickets (one-half of 13.0 million). We therefore estimated that the total number of international tickets involved in code-sharing arrangements in 1997 amounted to 9.5 million. Adding this to the 39.1 million domestic tickets, we estimate that 48.6 million tickets involved code-sharing arrangements in 1997.

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5 This represents the total number of passengers transported on nonstop flights to and from the United States on U.S. and foreign air carriers as reported on BTS, Forms T-l 00 and T-100(f).

6The List of Code-Share Relationships is compiled by DOT's U.S. Air Carrier Licensing Division within the Office of International Aviation in the Office of the Assistant Secretary for Aviation and International Affairs. The list is updated on a monthly basis and is available on the Department's web site at http://ostpxweb.dot.gov/aviation/.

Costs of the New Regulations

The Department considered the possibility that these rules could result in increased implementation costs and operating costs for the worldwide airline and travel agent industries. Specifically, increased implementation costs could include the expense of reprogramming computer reservations systems (CRSs) and carriers' internal systems to allow carriers or travel agents to view the corporate and network name prior to the booking process. Other initial costs could include the expense of programming changes to provide the separate written notification with the ticket. Operating costs could also increase due to the amount of additional "talk time" spent by carrier ticket agents and travel agents to disclose the information to passengers. Other incidental cost increases associated with initial supplies of paper or preprinted materials could also occur.

Implementation Costs for Electronic Notification

Based on the comments received in response to the NPRM and SNPRM, the airline and the CRS industries could incur initial implementation costs for reprogramming their systems to provide both the corporate and network name of the transporting airline in all oral communications prior to booking transportation. Specifically, Continental and System One, Delta, Northwest, the Regional Airline Association (RAA) (citing United's comment), Trans World, United and USAir stated that the costs would be substantial, but only Delta and USAir provided any detailed, though very limited, information. Also, RAA and Trans World pointed out that the costs were not available or that is it impossible to quantify the cost burden. On the other hand, American and AMR Eagle do not believe the required changes would be expensive to implement.

According to the comments of American and AMR Eagle, Continental and System One, Delta and United, the corporate name is already available in their internal reservations systems and/or in the affiliated or other CRSs, although it is not readily available on screens prior to the booking process. Northwest points out that the information is already available in both the availability and booking screens in the Worldspan System and in its own internal reservations system. It further notes that many carriers already provide this information voluntarily to consumers who seek it, and it currently trains its reservations agents to disclose the corporate name when providing flight availability information and during the booking process. United also instructs its reservation agents to provide the corporate name when a passenger books a ticket. Therefore, the main computer-related cost would be for reprogramming that would allow agents to view the corporate name on the availability screens and prior to the booking process.

The Department does not have detailed technical knowledge about either the CRSs or the airlines' internal reservations systems, and that is why we sought specific information. In response, Continental and System One stated that disclosure of corporate names in electronic and written schedule information provided to the public with respect to long-term wet-lease arrangements would force System One to spend approximately $200,000 in implementation costs. Delta estimates that several hundred hours of programming would be required over several months to complete the reprogramming, while USAir estimates that the reprogramming would cost $255,000.

Without more detailed information, however, the Department is reluctant to find that the cost burden is excessive. American and American Eagle claim that the requirements are not burdensome for them or for SABRE. Continental and System One assert that the cost burden would amount to $200,000 but this estimate is specifically for the implementation of the rule regarding wet leases. On the other hand, since Galileo and Worldspan did not provide comments on the SNPRM, it is difficult to estimate the rule's impact on these systems. Furthermore, since Northwest's comments indicated that the information is already accessible on the availability and booking screens for Worldspan and its own internal reservations system, it would appear that the cost burden could be minimal for both of these.

We have also considered the burden of additional implementation costs on the internal reservations systems of the other commenters. Specifically, USAir stated that the reprogramming cost would amount to $255,000 and Delta stated that the changes would require several hundred hours of computer programming time, while United and Trans World did not provide detailed data. In an effort to analyze the potential costs further, we assumed that, for each carrier or CRS system, two mid-level programmers, each earning $100,000 in salary and benefits (or approximately $48 per hour), spent 500 hours each on the programming changes. The labor costs would thus amount to $48,000. We also recognize that expenses associated with on-line computer time for testing must be added. However, we also realize that such expense could vary significantly based on the time of day the tests are performed, the ownership of the computer system and the procedures used to allocate various capital costs across multiple cost centers, and the availability and use of assigned computer downtime for regular programming maintenance and upgrade. Without further support for the cost estimates, we cannot rely only on these estimates.

In this case, we find that the best approach is to establish a range of costs which would include the potential cost impact on the airline and CRS industries. Assuming that American and Continental use SABRE and System One as their internal reservations systems, respectively, and that Delta, Northwest, Trans World, United and USAir use their own internal systems independent of Worldspan and Galileo, the rule will affect nine large systems. Using labor costs of $48,000 per system as a baseline estimate and USAir's estimate of $255,000 per system as a maximum, we have determined that the initial implementation costs could range from $432,000 to $2.3 million for the airline and CRS industries as a group. However, we also find that these costs, even at the higher levels, are one-time, nonrecurring charges that will benefit the hundreds of millions of future travelers involved in code-sharing and wet-lease arrangements. On this basis, the cost per traveler would be negligible.

We further note that we do not wish to unreasonably burden the airline and travel agent industries. In this regard, the Department is simultaneously issuing a final rule on the NPRM Regarding the Disclosure of Change-of-Gauge Services.[7] In the docket for that rulemaking, Delta Air Lines and United Air Lines stated that the Department needed to recognize the burden that several NPRMs, stacked one upon another, were placing upon the industry and suggested

7 See Docket OST-95-177.

that the Department consider the cumulative effect of these regulations. It is clear that these disclosure rules are similar in nature and require similar changes to computer systems. By issuing these rules at the same time with the same effective dates, the Department believes that the affected entities will lessen the one-time implementation costs by making the changes at one time rather than in two distinct processes.

The Department also finds that these computer changes may result in beneficial side effects for the airlines, CRSs and travel agents. To the extent that current systems inform consumers only after a booking is made, the possibility exists that consumers may change their plans after receiving the additional information thus requiring a booking cancellation. We understand that such a cancellation sometimes results in confusion and billing problems and lengthens the "talk time" between agents and consumers and we believe providing relevant information before the booking transaction might help to limit these problems. The resulting standardization of process should provide some additional benefits as well.

Increase in Recurring Operating Costs[8]

Several commenters mentioned that recurring operating costs would increase due to the fact that agents would have to spend more "talk time" to provide more detailed notice. To evaluate the potential increase, we have examined recurring operating costs from the perspective of the airline ticket agents, travel agents and the traveling public. Midwest Express and Astral Aviation d/b/a Skyway Airlines (joint commenters) provided an estimate of the annual increase in operating cost ($88,000) for Astral Aviation only, based on increased labor costs ($30,000) resulting from additional talk time of 15 seconds per call for reservation agents and increased telephone line usage charges ($58,000).[9] Since they were the only commenters to provide a more detailed estimate of the operating cost increase, we used their information as a starting point for our analysis.

Based on the total of 48.6 million tickets involved in code-sharing arrangements in 1997 and assuming that these travelers made an average of 2.1 phone calls per trip" during the process of purchasing tickets, we estimate that the total number of calls amounted to 102.0 million. Of this total, 80 percent (81.6 million) were handled by travel agents and 20 percent (20.4 million) were handled by airline ticket agents." Using the 15 seconds (0.25 minutes) of additional talk time[12],

8 Table 1 in Appendix A provides an outline of the detailed calculations.

9 Joint Comments of Midwest Express Airlines, Inc. and Astral Aviation, Inc. D/B/A Skyway Airlines, February 16, 1995, page 3.

10 Travel agents sell about 80 percent of all airline tickets. (Airline Marketing Practices: Travel Agencies, Frequent-Flyer Programs, and Computer Reservation Systems, U.S. Department of Transportation, February 1990, page 7.) We assumed that travelers who use travel agents call between 1 and 2 times per trip (1.5 calls on average) since an advantage of using travel agents is that they do the work for the consumer. For those travelers (20 percent) who call the airlines directly, we assumed between 4 and 5 calls per trip (4.5 calls on average). Therefore, the weighted average number of calls is 2.1.

11 Airline Marketing Practices: Travel Agencies, Frequent-Flyer Programs. and Computer Reservation Systems, U.S. Department of Transportation, February 1990, page 7.

12 Since current regulations already require a certain level of notification, we believe the use of 15 seconds to meet the additional requirements of this regulation is reasonable.

we estimated 339,995 additional hours for travel agents and 84,999 additional hours for airline ticket agents.

To estimate the increase in annual operating costs for the travel agent industry, we used an average hourly rate of $20.26 (salary and fringe benefits) for a travel agent[13] and $25.42 for an airline ticket agent[14] resulting in total additional costs of $6.9 million for travel agents and $2.1 million for airline ticket agents. To these amounts, we added $5.1 million and $1.3 million for travel agents and airline ticket agents, respectively, for the cost of additional telephone line usage based on an average of $0.25 per minute." Therefore, the total annual increase in operating costs for the travel agent industry amounted to $12.0 million and, for the airline industry, $3.4 million. In the context of the $82.0 billion in annual passenger revenues that the U.S. airline industry generated in 1997[16] or the $126.0 billion in sales ($70.5 billion of which pertained to airline sales) that travel agencies produced in 1997[17], the increased operating cost is clearly not prohibitive.

We also used similar assumptions (duration of call, number of tickets, and number of calls) to estimate the increase in cost to travelers that would result from the loss of productive time due to the additional talk time. Thus, based on 15 seconds per call, an average of 2.1 calls per trip, and 48.6 million tickets, we estimate a total of 424,994 additional hours of travelers' time resulting from the new regulations. Based on the value of time at $27.85 per hour, [18] we estimated that the annual additional cost to travelers would amount to $11.8 million.

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13 Based on the 1997 yearly average compensation of $3 1,45 8 for salary and commissions for all travel agency employees with 10 or more years of experience. Travel Weekly Focus, 1998 U.S. Travel Agency Survey, Reed Travel Group, August 27, 1998, page 76. Fringe benefits were calculated at 34 percent of average compensation. (See line 41.) Therefore, $3 1,458 divided by 2,080 hours = $15.12 per hour. Fringe benefits of 34 percent = $5.14 per hour. Total average travel agent compensation = $20.26.

14 Estimate is based on salary and related fringe benefits for system operations of the major passenger airlines from the Department's BTS Form 4 1 data, Schedules P-6 and P- 10 for 1997 for all aircraft and traffic handling personnel. Therefore, $39,460 divided by 2,080 hours = $18.97 per hour. Fringe benefits of 34 percent = $6.45 per hour. Total estimated average ticket agent compensation = $25.42. Fringe benefits were based on $7 billion in fringe benefits and $20.3 billion in salaries, or 34 percent of salaries.

15 Data on telephone line charges were not readily available. Midwest Express/Astral Aviation did not provide background information on unit rates. Our analysis of their data indicated a rate of $0.64 per minute. Our independent research regarding toll-free numbers indicated a rate of $0.25 per minute including some volume discounts. We also recognize that some very high volume users (for example, the federal government's use of FTS) obtain rates that are considerably lower than $0.25 per minute. Although computer reservations systems and internal airline systems are very high users of telephone lines and presumably entitled to significant discounts, we have determined that $0.25 per minute is a reasonable rate for purposes of this analysis.

16 Calculated from data in Air Carrier Financial Statistics Quarterly, U.S. Department of Transportation, Bureau of Transportation Statistics, December 1997/1 996 in addition to an estimate of the passenger revenues for the smaller regional airlines.

17 Travel Weekly Focus, 1998 U.S. Travel Agency Survey, Reed Travel Group, August 27, 1998, pages 22 and 30.

18 Based on DOT Memorandum of April 9, 1997: Departmental Guidance for the Valuation of Travel Time in Economic Analysis. We used the value for intercity air travel for all purposes. While we used this value in our analysis, the DOT memorandum also provides a plausible range for the hourly valuation of time between $2 1.90 and $32.90. Since the value of time in the memorandum is in 1995 dollars, we adjusted the value to 1997 dollars based on the percent change in the GDP Implicit Price Deflator (an increase of 4.3 percent).

Therefore, the total annual increase in operating costs is estimated at $27.3 million. On a per ticket basis, the average cost increase amounts to $.56 per ticket." While the Department would prefer not to take actions which have the potential to increase the cost of travel or result in a loss of productive time, we believe these amounts are minimal and not prohibitive considering that the average ticket price for domestic travel is approximately $168 and the average price for international travel exceeds $400.[20]

The Department recognizes that code-sharing arrangements and the number of code-sharing trips are likely to increase in the future. We also recognize that the cost for fully informing prospective travelers will impact different segments of the travel industry and the public to varying degrees. However, we believe that the fact that such arrangements are increasing and becoming more sophisticated emphasizes the paramount importance that the traveling public be fully informed. This benefit clearly outweighs the cost increases and we further believe that these costs will decrease in the future as consumers and frequent travelers adjust and as new, less-costly, channels of distribution become available (such as the Internet).

Implementation Costs for the Written Notice

With regard to the requirement that a written notification accompany the ticket in the form of an itinerary or a similar type of ticket enclosure, the Department has determined that the additional costs imposed by this provision are minimal. Our conclusion is based on the fact that travel itineraries are now widely and routinely distributed with the ticket coupons. In this regard, American's comments verify that SABRE already prints the very information which the Department requires under the new rule for airline ticketing personnel and travel agents.

Similarly, Galileo currently provides Apollo subscribers with the ability to generate a standard form itinerary/invoice document that includes the name of the marketing carrier and also a statement in the form "OPERATED BY XYZ AIRLINE" for a code-share segment as well as the ability to generate a mini itinerary with the same basic information in a condensed form. Another airline commenter, United, already provides such written notice when it issues a ticket for a code-share service. With regard to Trans World, it is unclear from the comments what capability the carrier has regarding written itineraries; however, Trans World supports this written requirement.

Furthermore, despite the fact that Continental and System One estimated that the cost to System One of implementing technical changes to comply with the written disclosure requirement would be nearly $300,000 in development costs, they do not oppose the requirement of written notice of code-share and wet-lease arrangements on itineraries provided with tickets sold in the U.S.

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[19] We have not determined whether the cost increase (or any portion of it) will be borne by the travel agents, by the airlines or by consumers.

[20] Based on data from the Department's Origin-Destination Survey of Airline Passenger Traffic for the quarter ended December 31, 1997.

British Airways, Delta and USAir opposed this written notification on basis of cost, administrative burden, and passenger delay. British Airways states that the cost that CRS vendors would charge to the travel agencies or airlines for including an additional notice in the itinerary would not be inconsiderable. However, SABRE and Apollo already provide the required information. We doubt that the smaller systems will impose a charge for creating the same capability.

Delta opposed the written notice at time of sale because of substantial financial and administrative burden and possible delays in the passenger ticketing and check-in process at airport ticket counters. However, since Delta's statement is unsupported, the Department's ability to evaluate Delta's opposition is limited. We also question the possibility of significant passenger delays at airport ticket counters, since the majority of tickets are issued and distributed by travel agents (80 percent) and city ticket offices of the carriers. Therefore, the number of written notices required at the airport ticket counters should be very limited.

In its comments, USAir states that even though the Apollo System now has the capability to issue written itineraries, it would take six months to change USAir's own internal system to provide the code-sharing information on those written itineraries. The Department is aware that although USAir is a partial owner of and participant in Galileo, USAir does not use Apollo as its own internal reservations system and therefore would need to make computer programming changes. USAir, however, did not provide an estimate of the cost for these programming changes. Based on the fact that USAir reservations agents currently have the capability of advising prospective customers about code-sharing arrangements and issuing itineraries, it would appear that the programming changes would not be overly burdensome.

At the time of its comments, Northwest believed that the written notification could be made available in the itinerary without significant difficulty since the operating carrier information is provided in the PARS display used by Northwest reservations agents. Since Worldspan (formerly PARS and partially owned by Northwest) did not address this issue in its comments and did not oppose the written requirement, the Department believes theses facts further support its conclusions.

Advertising

This rule requires that the carriers include both the nature of the operational arrangement and the identity of the transporting carrier only when they are advertising service in a city-pair market where the service is provided under a code-sharing arrangement or long-term wet lease. Most airline commenters generally supported this provision as long as it was restricted to the print media. British Airways further pointed out that requiring such notification in radio and television advertising was infeasible due to the limited amount of time available in such advertising and USAir stated that the cost of radio and television advertising would be exorbitant.

In an effort to fully inform all prospective travelers, the Department has determined that this requirement should apply to all advertising media. In general, for print media, the rule will require notice in reasonably sized type specifically identifying the transporting carrier. For broadcast media, the disclosure statement can contain a more generic notice such as "Some services may be provided by other airlines."

Trans World commented that it failed to see why advertising in the broadcast media should be excluded. We agree. Furthermore, absent specific information about the cost or technical difficulty of including this limited amount of information in radio or television advertising, we find no reason to refrain from imposing this requirement.

Other Alternatives

Executive Order 12866 requires that other alternatives to the proposed rule be evaluated in order to ensure that the regulations achieve the greatest net benefits. With regard to the new requirements concerning more complete disclosure, the Department found that the range of alternatives was limited to the following:

1. maintaining the status quo of the current regulations and not expanding the requirements;

2. expanding the requirements to include enhanced oral notification (network name) without an accompanying written notice (separate item and printed on the ticket);

3. expanding the requirements to include enhanced notification (network name and corporate name) without an accompanying written notice (separate item and printed on the ticket); and

4. expanding the requirements to include enhanced notification (network name and corporate name) with an accompanying written notice (separate item and printed on the ticket).

The Department determined that the final disclosure regulations as adopted provided the best net benefits in comparison to the above alternatives. We found that we could not accept the status quo because, at a minimum, it was important that the current regulations be expanded explicitly to cover foreign air carriers and travel agents. Additionally, the proliferation and increased complexity of recent code-sharing agreements made the enhanced oral and written notification necessary to ensure that travelers had complete and accurate information not only during the process of purchasing air transportation but also as a reminder throughout the journey. We recognize that a regulation requiring either the network name or corporate name rather than both names, as well as a regulation omitting the written notice requirement, would be less burdensome and costly to the affected industries. However, the Department is convinced that the more limited approach would have provided only a partial response to consumers' need to know all significant information about their flights while still imposing additional cost burdens.

At the same time, the Department has decided not to impose the additional burden of requiring the written notice on the ticket coupon. In the NPRM, the Department requested specific comments about the feasibility and costs of providing the written disclosure information on the ticket coupon as well as on a separate notice that accompanies the ticket. While several commenters such as the International Airline Passenger Association and Americans for Sound

Aviation Policy expressed support for this proposal, most of the air carriers and CRS vendors opposed it on the basis of significant cost burdens with very little consumer benefits. Among the carrier and CRS parties, only American supported the written notification on the ticket coupon with respect to the current Automated Ticket and Boarding Pass (ATB) ticket stock, although not for the Transitional Automated Ticket (TAT) stock.[21]

American estimated that it would cost between $175,000 and $200,000 to reprogram the computer system to enable the travel agents that use SABRE to print the written notification on the ticket coupon. With regard to the SABRE system used by American's own ticketing personnel, the reprogramming would cost an additional $75,000 to $100,000. Therefore, American estimated that the total cost to reprogram the SABRE system to print the notification on the ATB tickets for travel agents and its own ticket agents would range between $250,000 to $300,000.

Among the other carriers and CRS vendors who commented upon this aspect of the proposal, only Continental and System One (in a joint response), Galileo International Partnership and United have provided information on the cost burden of the written notification on the ticket. Continental and System One estimate that providing this notice on the coupon would cost substantially more than $300,000, would take six to ten months to implement, and would significantly increase operating expenses.

Galileo estimated that the cost to reprogram its central computer software and to retrofit approximately 13,000 ticket printers located in Apollo agencies would cost about $500,000. United submitted that its cost would exceed more than $1 ,000,000 and the implementation would take more than a year to complete if reprogramming and retooling all ticket printers worldwide were considered. It should be noted that United's cost includes an estimate for modifying the TAT tickets as well as the ATB tickets.

Based on the comments, these costs range from $300,000 to $1,000,000 depending upon the system. If we were to assume that American and Continental use SABRE and System One, respectively, for their internal reservations systems and that Delta, Northwest, Trans World, United, and USAir use their own internal systems independent of Worldspan and Galileo (Apollo), there are nine large systems that would need to be changed. Applying the $300,000 cost to SABRE (and American) and System One (and Continental) as well as to the other internal reservations systems for those carriers that did not specify costs (Delta, Northwest, Trans World, and USAir) and using the $1 ,000,000 cost estimated by United and the $500,000 estimated by Galileo and applied to Worldspan, the total cost for the written notification on the ticket coupon would approximate $3,800,000 for the largest portion of the U.S. airline/CRS vendor industries.

We believe, at this time, that the cost outweighs the benefit, especially when considered in conjunction with the costs of the requirements that we adopting. Therefore, we have decided

21 As background, the ATB and the TAT are the two main ticket stocks in use domestically and internationally. The comments indicate that the ATB tickets account for approximately 80 percent of the tickets issued and the TAT tickets account for the other 20 percent.

that, during the two to three year period following the effective date of the rule, the Department will monitor (1) the effectiveness of the disclosure rule as adopted, (2) the ticketless travel trend, and (3) the ability of airlines to give adequate consumer notice in a ticketless environment. If justified, the Department will revisit this issue at that time. The written notification on the ticket coupon is, in effect, a third level of consumer notification following the oral notification and the additional written notification that are also required by this rule. As such, we have determined that the cost burden for this additional level of notice is unwarranted at this time.

There is another consideration. We understand that the ticket content on the ATB and the TAT stock can be changed only after the Passenger Services Committee of IATA has considered the change and the change has been approved by U.S. and foreign carrier members. The process is time-consuming-and could be fraught with disagreement. To the extent that the additional costs of such a process could be avoided and that the other provisions of this rule could be implemented earlier, we believe the delay in requiring the written notification on the ticket coupon benefits the traveling public.

Environmental and Natural Resource Impact

In its comments, British Airways and Delta stated that the Department failed to account for the environmental and natural resource impact of requiring the generation of another piece of paper and that the Department's regulation runs counter to conservation efforts. The Department believes that these carriers' environmental concerns are somewhat exaggerated based on the fact that the written requirement would, in most cases, simply add another line to an already existing written itinerary. In those situations where a new written document is generated, the carriers, CRS vendors and travel agents might consider condensing the size of the written notice or using recycled paper products.

Benefits of the Proposed Regulation

The Department believes that code-sharing is a prohibited unfair and deceptive practice unless passengers are **fully** aware of the facts of the arrangement. Accordingly, the Department would have to ban the practice unless its criteria for notification were met. If the Department were to ban code-sharing (or long-term wet-lease agreements), the recognized benefits of "seamless" airline service such as the proximity of gate locations, coordinated baggage handling, and the reduced risk of missed connections could be diminished. Economic efficiencies resulting from the operation of a joint service with one aircraft instead of separate services with two aircraft could also be diminished.

While many commenters acknowledged the benefits of code-sharing and the need to fully inform airline passengers, the main point of disagreement between commenters and the Department focused on the benefit of the use of both the corporate and network names as well as the additional benefit of requiring the written notice on the ticket. We have discussed the issue of the written notice previously. With regard to the benefit of using both the corporate and network names, the Department believes this is a necessary step that complements and reinforces the other notification requirements and ensures that the consumer will have consistent and complete notification information in all oral contacts and on all documents that the traveler receives.

Many commenters also objected to this proposal on the basis that it provided no benefits to the consumer or that the perceived benefits were not large enough to outweigh the significant cost increases. While we cannot precisely quantify the amount of consumer benefits and have not attempted to do so for this aspect of the rule, we find that the potential benefit to consumers is significant enough to justify the increased costs. As has been stated previously, consumers benefit enormously from code-sharing arrangements. These arrangements, however, would be considered unfair, deceptive practices and therefore prohibited, unless consumers are given proper disclosure. In the past, the nature and extent of code-sharing was such that use of the network name seemed sufficient. However, given the rapid expansion of code-sharing to the point that each network is comprised of numerous regional carriers as well as foreign carriers and given the potential complexity of multiple code-sharing arrangements in domestic/international flights, we find that the potential for deception is likely to increase. The best way to protect consumers is to require that agents and airlines provide both the network and corporate names which would provide the most complete information as well as emphasize the code-sharing relationship.

The Department has determined that it is impossible to quantify precisely the total benefits of the regulation. However, the Department believes that more than 100 million passengers will use code-share arrangements during the next few years. To the extent that the rule protects these travelers from being misled or inconvenienced, the passengers are benefited. The airline and travel industries also benefit from increased consumer confidence.

In an effort to provide a generalized value to these benefits, we have considered the possibility of assigning a value to the traveler's time that would be lost through delayed or missed connections. In other words, the benefit would result from avoiding the potential cost of delay and the potential loss of time and productivity. We estimated that a traveler's value of time is $27.85 per hour, on average, as stated previously. Based on this amount, it is apparent that the value of the code-sharing notification would vary, but could be significant for select segments of the traveling public. While we cannot measure the total potential benefits, the Department believes that the potential benefits **justify** the potential costs.

Regulatory Flexibility Determination

The Regulatory Flexibility Act of 1980 was enacted by Congress to ensure that small entities are not unnecessarily and disproportionately burdened by government regulations. It requires that agencies review regulations that may have a significant economic impact on a substantial number of small entities. For purposes of this rule, small entities include smaller, less-automated U.S. and foreign airlines as well as smaller travel agencies especially those that do not subscribe to any of the CRSs. Based on the fact that we did not receive information in the comments and since we do not have detailed information on the number, size, and sophistication of these entities, we believe that this regulation will not be unduly burdensome to a significant number of small entities. Furthermore, to the extent that these entities have been able to meet the current disclosure requirements through other, less-automated means, we believe these entities will be able to apply similar, least-costly techniques to meet these new requirements.

Federalism Assessment

The Department subjected this regulation to a Federalism Assessment under Executive Order 126 12 which, among other things, requires that regulations, legislation, policy statements or actions that have substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government, be evaluated according to specific criteria with the intention of preserving a proper balance among the levels of governrnent. Based on the fact that this regulation applies to national and international air transportation and does not have any direct impact on State policies or procedures, the Department certifies that this regulation does not have sufficient federalism implications to warrant the preparation of a separate Federalism Assessment.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995, Public Law 104-4, requires each Federal agency to prepare a written assessment of the effects of any Federal mandate in a proposed or final agency rule that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted for inflation) in any one year. These disclosure regulations do not impose any mandates on State, local, or tribal governments or the private sector that equal or exceed that amount.

Year 2000 Problem

In many computer systems in use today, the year is represented by a two-digit field rather than a four-digit field. Because of this, it is possible that these systems will read the "00" for the year 2000 as 1900 resulting in system stoppages or malfunctions. This possibility has raised concerns among all computer users and has become known as the "Year 2000 Problem" or "Y2K Problem." The Department recognizes that the airline and travel agent industries have faced and will continue to face the special challenges of the Y2K Problem. In order to accept advanced bookings for air transportation, these industries must be prepared well in advance of the actual date change. In an effort to ensure that our regulations do not interfere or delay the Y2K solutions, the Department has decided that, in preparing proposed and final rules that mandate business process changes and require modifications to computer systems between now and July 1, 2000, we will analyze those rules specifically with reference to Y2K requirements and determine whether their implementation should be delayed to a time after July 1, 2000.

Since we estimate that this rule will become effective in June or July of 1999 and will affect computer systems, we have examined the potential effect of this rule on Y2K updates. Since the Department does not have detailed knowledge about the Y2K status of the systems that will need to be changed as a result of this rule, we attempted to gauge the impact based on a review of statements from Annual Reports, 10-K and 10-Q Statements filed with the Securities and Exchange Commission, news reports, press releases and other documents. While this information did not reflect detailed technical assessments, it allowed us to establish a broad baseline against which to judge the issuance of our rule.

We have evaluated the published reports regarding the status of the Y2K changes for the CRSs (Arnadeus/SystemOne, Galileo International, SABRE, and Worldspan) and the carriers' internal reservations systems that are the focal points for changes involving Y2K and this disclosure rule. In a press release dated June 25, 1998, Amadeus stated that the Year 2000 program had been underway since 1996 and announced that ". . .it will be Year 2000 compliant by the end of 1998, and will take its first millennium booking on January 4, 1999."[22] This announcement was reconfirmed in a later press release.[23] Similarly, the SABRE Group began working on these issues in 1995 and, according to a recent press release, the majority of SABRE's core systems are either completed or in the final testing phases of the Year 2000 Project. Additionally, it stated that "substantially all of the other software marketed by The SABRE Group to customers in the airline, hotel, trucking, rail and other industries is expected to be Year 2000-compliant in the second quarter of 1999. More than 70 percent of these applications are expected to be completed by the end of this year."[24]

Galileo International has developed a "Time Machine" system to test its Y2K readiness. This system consists of multiple inter-connected systems simulating Galileo International's CRS functionality with an emphasis on real-time links to travel vendors. Based on recent testing of the Time Machine, Galileo International has stated that ". . . Galileo's host systems and host subscriber products are Y2K-ready."[25] In its Forrn 10-K filing to the Securities and Exchange Commission, the company stated that its management believes that the Y2K conversions will be substantially completed in 1998 .[26]

With respect to Worldspan, we have not been able to obtain information on the status of its Y2K program. However, according to a company profile, it provides global communications and electronic distribution for more than 500 international travel service providers and, based on press releases, it continues to provide state-of-the-art technological improvements to its CRS products. Recognizing the highly competitive nature of the CRS industry and the desire to increase worldwide market share, we conclude that Worldspan's readiness for Y2K is likely to be similar to the progress shown by the other systems.

In general, most of the larger airlines have stated that they expect to be Y2K-compliant in a timely manner. However, most also reflect caution by noting that there are no guarantees or assurances that all systems will be ready and that their operations could be adversely affected. In response to this possibility, many have established contingency plans that will allow continued operations.

According to a recent article in the Aviation Daily, American Airlines has finished completing a rigorous testing phase and upgrade period and has declared 97% of all internal company systems Year 2000 compliant.[27] In an August 3, 1998, press release, United Air Lines announced that, to date, it has completed about 70 percent of its Year 2000 work on its critical core computer systems with the initial modification phase to be completed by December 31, 1998. Alaska Air

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22 Press release dated June 25, 1998, as displayed on the web site of Amadeus.
23 Press release dated November 11, 1998, as displayed on the web site of Amadeus.
24 Press release dated September 30, 1998, as displayed on the web site of SABRE.
25 News Release dated September 14, 1998, as displayed on the web site of Galileo International.
26 Galileo International's SEC Form 10-K, December 31, 1997, page 21.
27 Aviation Daily, October 13, 1998 electronic edition, article number 117225, The McGraw-Hill Companies, Inc.

Group, Continental Airlines and Northwest Airlines made similar statements that anticipate completion of their Y2K projects for key computer systems in early 1999. These airlines believe that with certain modifications to existing software and/or conversion to new software, the Y2K issue will not pose significant operational problems.[28] AirTran Holdings, Delta Air Lines and Trans World Airlines have made similar statements about Y2K programs and contingency plans while pointing out the need for caution in evaluating the overall impact of Y2K.[29]

In announcing a new five-year agreement with the SABRE Group to provide passenger reservations and inventory control systems, Southwest noted that the agreement includes specific Year 2000-related upgrades.[30] Considering SABRE's progress noted above and Southwest's agreement to a five-year contract, it is reasonable to assume that Southwest anticipates being Y2K compliant in a timely manner. Similarly, US Airways Group believes its long-term information technology relationship with SABRE will provide assistance in meeting the requirements of Year 2000.[31]

As with other industries, air transportation is dependent upon a wide range of suppliers and supporting organizations that also must deal with the Y2K problems. In many of the statements regarding the Year 2000, the airlines have not only voiced concern that these supporting groups would be ready but, more important, have also emphasized the value of and the need for an integrated effort. In this regard, we have reviewed the Y2K information for five organizations that are very closely associated with the airlines and CRSs: the Air Transport Association of America, the Airline Tariff Publishing Company (ATPCO), EDS, Inc., Lanyon, Ltd., and the OAG Worldwide (Reed Travel Group).

As the trade organization for 23 U.S. airlines and five international carriers, the Air Transport Association of America has testified before Congress detailing its comprehensive approach and emphasizing the awareness of its members regarding the important of the Y2K issue. The Association is confident that the programs they have implemented will result in an aviation system that will operate safely through January 1, 2000 and beyond.[32] With approximately 40 years of experience, ATPCO is a worldwide leader in the collection and distribution of airline fare and fare related data specializing in data collection from over 550 airlines and data distribution to all of the global distribution systems and CRSs. The company has stated that it is actively pursuing measures to provide continuous service through Year 2000. By the end of 1998, ATPCO anticipates that all areas of non-compliance will have been identified and contingency plans will be in place.[33]

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28 Alaska Air Group 's SEC Form 10-Q, June 30, 1998, page 6; Continental Airlines' SEC Form 10-K, December 3 1, 1997, page 46 and Northwest Airlines' SEC Form 10-K, December 3 1, 1997, page 24.
29 AirTran Holdings' SEC Form 1 O-K, December 3 1, 1997, pages 25 and 26; Delta Air Lines' SEC Form 10-K, June 30, 1998, pages 27 – 29; and Trans World Airlines' SEC Form , December 3 1, 1997, page 47.
30 Press Release dated July 23, 1998, as displayed on the web site of SABRE.
31 US Airways Group's SEC Form 10-K, December 3 1, 1997, page 27.
32 Statement of Carol B. Hallett, President and Chief Executive Officer of the Air Transport Association of America, before the Transportation and Infrastructure Committee, Government Reform and Oversight Subcommittee on Government Management, Information and Technology, and the Science Subcommittee on Technology on the Year 2000 Efforts of the Aviation Industry, September 29, 1998.
33 Year 2000 Update, Airline Tariff Publishing Company, as display on its web site as of November 4, 1998.

EDS is an information services company that provides a wide range of products and services to many industries including the transportation sector. The company, through its CIO Services unit, has been a leader in providing advice and solutions, as well as a forum for discussions, on the Y2K issue. Based on this preparedness, we believe that they will do whatever is necessary to assist their airline clients (such as America West, Continental Airlines, British Airways, Japan Airlines, and others) to be Y2K-compliant in a timely manner.[34] Lanyon, Ltd., is a computer company that develops, markets and supports software products for personal computers. The company provides custom software development and provides specialized data processing services for airlines. In a statement of its policy, it noted ". . .Lanyon is ensuring that its products are going to be millennium compliant and is working through its product portfolio ensuring that this is the case."[35] OAG Worldwide is a leading independent supplier of travel information products and services. In a recent statement, the company noted that it began a program to tackle the Year 2000 issues in 1996/1 997. More recent target dates include the completion of the majority of remediation efforts during the third quarter of 1998 and the completion of the testing program by the end of 1998.[36]

We have referenced these statements to show the widespread effort involved in the Y2K program for air transportation. The Year 2000 Information and Readiness Disclosure Act (Public Law 105-271, enacted on October 19, 1998) encourages the disclosure and exchange of information about computer processing problems, solutions, test practices and test results, and other related matters in connection with the transition to the year 2000. We believe that the amount of progress that these companies have already made and the possible future cooperation among these organizations will lead to a successful resolution of the Y2K issues.

The most important reason, however, for not delaying the implementation of this rule to a time after July 1, 2000, is the growth in the number and complexity of code-sharing arrangements, alliances and other marketing agreements especially among multiple carriers and involving international operations. Because of this increase in number and complexity, it is critical that prospective travelers have as clear and complete information as possible prior to buying air transportation as well as during the journey. As an example, we cite the two largest airline alliances – the Star Alliance (Air Canada, Lufthansa, SAS, Thai Airways, United Airlines, and Varig) and Oneworld (American Airlines, British Airways, Canadian Airlines, Cathay Pacific, and Qantas). While code-sharing arrangements within these alliances are limited to certain segments and airlines, the potential for travelers to be misled or confused without complete disclosure of all significant information is obvious. Also, the possibility of alliances involving code-sharing between the larger U.S. airlines in their domestic systems further points out the need for immediate action.

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34 Web site for EDS.

35 Corporate Background, and Lanyon's Year 2000 Policy, Lanyon, Ltd., as displayed on its web site as of December 11, 1998, and November 6, 1998, respectively.

36 Statement on Year 2000 Readiness Disclosures under the Federal Year 2000 Information and Readiness Disclosure Act, as displayed on the web site of OAG Worldwide, November 6, 1998.